

# NORTHERN NEW JERSEY OFFICE MARKET

## STEADY IMPROVEMENT

The Northern New Jersey office market ended the year with stable conditions as availability declined slightly from 21.9% to 21.8% during the fourth quarter. Over the past 12 months, more than 600,000 square feet in net absorption was recorded while availability reduced by 60 basis points. The average asking rent continues to rise slowly, increasing by 1.4% over the past year, though some submarkets are seeing stronger growth. Meanwhile, the total inventory shrank by 1.0 million square feet in 2019 as obsolete buildings are getting torn down and removed from statistics.

### LARGEST BERGEN COUNTY LEASE IN TWO YEARS

Promotion in Motion, a snack food manufacturer, leased 110,945 square feet for a new headquarters office in Park Ridge. The company, which is best known for producing Welch's brand fruit snacks, is relocating to 225 Brae Boulevard, which was previously owned and occupied by Hertz rental car company before it moved its global headquarters to Florida. Promotion in Motion currently occupies facilities in Allendale and Somerset. The transaction is the largest new office lease completed in Bergen County in more than two years.

The Bergen North submarket, which includes Park Ridge, had the second highest availability rate in the Northern New Jersey market as of the end of third-quarter 2019. Availability has since declined by 290 basis points to end the year at 26.6%. The submarket suffered from some high-profile corporate departures in recent years, including Mercedes-Benz, which moved to Atlanta, and Pearson Education, which relocated to Hoboken. Both of their campuses have since been demolished which, along with recent leasing, has allowed availability to decrease in the submarket.

### LOGISTICS COMPANY MOVING TO TRANSIT HUB

During fourth-quarter 2019, DSV Air & Sea leased 97,500 square feet at 200 Wood Avenue South in Iselin. The Danish transport and logistics company's new office is located 0.5 miles from the Metropark train station, which offers both Amtrak service regionally and NJ Transit service to New York City. DSV currently leases offices at 100 Walnut Avenue in Clark. The transaction contributed to the 111,937 square feet of net absorption recorded for the Metropark/GSP submarket during fourth-quarter 2019.

Over the past year, Metropark has seen a flurry of leasing activity. Total deals closed in 2019 exceeds 500,000 square feet, which is nearly double the amounts seen in each of the previous two years. The activity included major renewals with IBM and TIAA at 194 Wood Avenue South as well as more than 100,000 square feet in leasing at Woodbridge Corporate Plaza.

## CURRENT CONDITIONS

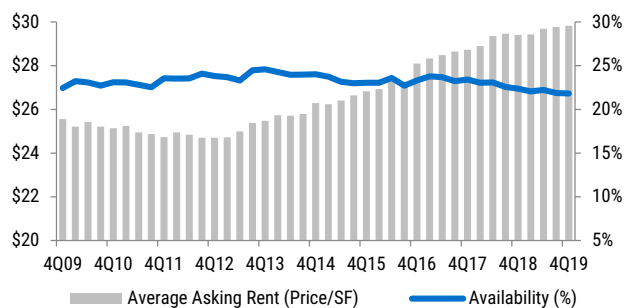
Over the past year, the office market saw steady improvement as it recorded more than 600,000 square feet in net absorption.

A snack food manufacturer leased 110,945 square feet of office space in Park Ridge, marking the largest new lease in Bergen County in two years.

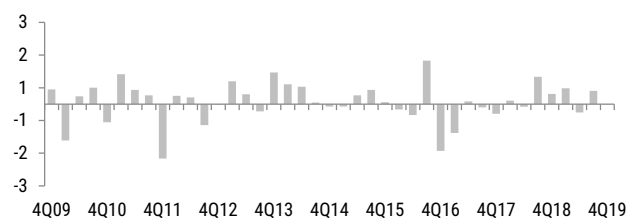
While the average asking rent continues to rise slowly, select submarkets are seeing stronger growth in Class A rental rates.

## MARKET ANALYSIS

### Asking Rent and Availability



### Net Absorption (SF, Millions)



## MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	165.8M	166.3M	166.8M	↔
Availability Rate	21.8%	21.9%	22.4%	↔
Quarterly Net Absorption	-12,147	407,823	310,116	↔
Average Asking Rent	\$29.83	\$29.77	\$29.41	↔
Under Construction	505,000	550,200	722,960	↔
Deliveries	45,200	0	42,000	↔

## REVAMPED PARSIPPANY COMPLEX SEES ACTIVITY

Major leasing took place during the quarter at Latitude—the rebranded Parsippany complex formerly known as Morris Corporate Center IV. British consumer good company Reckitt Benckiser renewed its lease at the complex for 187,000 square feet. Meanwhile, accounting firm Sax LLP leased 39,810 square feet at the property and will be relocating from 855 Valley Road in Clifton. The 700,000-square-foot complex, which was acquired by Rubenstein Partners and Vision Real Estate Partners in early 2018, is undergoing a major renovation which includes more than 30,000 square feet of amenity spaces with two fitness centers and multiple dining options. Availability in Parsippany has declined by 40 basis points over the quarter and 230 basis points since one year ago, but still remains relatively high averaging 28.9%.

## MEADOWLANDS AVAILABILITY RISES

Availability in the Meadowlands averages 27.0% as of fourth-quarter 2019, up 1.3% from the previous quarter and 4.7% from one year ago. Contributing to negative absorption for the quarter, more than 60,000 square feet became available at 400 Plaza Drive while nearly 100,000 square feet became available at 500 Plaza Drive. Earlier this year, the entire building (250,000 square feet) was listed at 200 Plaza Drive. As a result of these new large blocks hitting the market, availability in the submarket has reached its highest level in more than seven years.

## CLASS A RENTS RISING IN SELECT SUBMARKETS

Given the market's availability rate in excess of 20.0%, office landlords in Northern New Jersey have generally lacked the leverage to push rents. However, a couple of submarkets are seeing rents rise faster than the inflationary growth rate typical for much of the market. With the lowest availability rate in Northern New Jersey of 16.7%, Bergen Central saw asking rents for Class A space rise by 6.4% over the past year. In addition to low availability, building upgrades and new amenities, such as those recently completed at Glenpointe in Teaneck, are allowing landlords to start commanding higher rents.

Another area seeing strong rent growth is Newark, where Class A asking rents rose by 4.3% over the past year. Contributing to this growth, Newark's downtown is undergoing a revitalization exemplified by the recent completion of Ironside Newark. The development, which is an adaptive reuse of a former warehouse, added 270,000 square feet of new office space to the market in 2019. Meanwhile, the neighboring Gateway Center buildings are undergoing major renovations. These recent developments are helping to improve Newark's image which is starting to give landlords more pricing power.

The Northern New Jersey office market saw positive momentum in 2019, with availability declining and asking rents rising in select submarkets. Looking ahead, fundamentals are poised to continue to improve steadily entering the next decade.

## LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Reckitt Benckiser	Latitude	Parsippany/Route 10	Lease Extension	187,000
Promotion in Motion	225 Brae Boulevard	Bergen North	Direct Lease	110,945
DSV Air & Sea	200 Wood Avenue South	MetroPark/GSP	Direct Lease	97,500
BNP Paribas	Woodbridge Corporate Plaza	MetroPark/GSP	Lease Renewal	66,226
Sax LLP	Latitude	Parsippany/Route 10	Direct Lease	39,810

## SELECT SALES TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
American Metro Center	Princeton Area	\$84,700,000	\$173	488,429
77 Corporate Drive	Somerset/I-78	\$47,500,000	\$231	205,439
5 Wood Hollow Road	Parsippany/Route 10	\$29,250,000	\$88	330,894
3600 State Route 66	Monmouth	\$26,050,000	\$140	186,300

## SUBMARKET STATISTICS

	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Overall Asking Rent (Price/SF)
<b>Northern NJ</b>	<b>99,772,397</b>	<b>505,000</b>	<b>21.9%</b>	<b>-12,669</b>	<b>675,139</b>	<b>\$35.57</b>	<b>\$23.93</b>	<b>\$31.40</b>
Bergen Central	9,260,591	0	16.7%	-26,503	85,923	\$32.11	\$24.17	\$29.21
Bergen East	5,021,451	0	17.8%	16,674	33,331	\$32.55	\$26.75	\$31.05
Bergen North	5,200,155	0	26.6%	144,100	118,793	\$28.34	\$24.37	\$27.54
Essex West/I-280	4,452,158	40,000	26.6%	-5,998	-42,303	\$27.89	\$24.52	\$26.14
Hudson Waterfront	21,959,215	125,000	18.4%	29,467	-68,213	\$44.99	\$40.63	\$44.78
Meadowlands	5,707,231	340,000	27.0%	-76,271	-361,021	\$30.27	\$22.82	\$26.66
Morris West/I-80	1,451,078	0	19.6%	16,044	24,670	\$23.94	\$18.90	\$21.16
Morristown Area	11,146,759	0	18.4%	-122,707	588,681	\$33.76	\$24.97	\$30.66
Newark	13,034,529	0	23.8%	63,004	154,246	\$34.73	\$24.80	\$29.00
Parsippany/Route 10	13,537,085	0	28.9%	48,286	252,213	\$30.90	\$23.29	\$28.23
Route 46/Wayne	7,207,121	0	21.9%	-88,275	33,531	\$24.83	\$19.87	\$20.71
Short Hills/Route 24	1,795,024	0	17.5%	-10,490	-144,712	\$47.29	\$27.69	\$42.38
<b>Central NJ</b>	<b>66,042,755</b>	<b>0</b>	<b>21.7%</b>	<b>522</b>	<b>-52,849</b>	<b>\$30.32</b>	<b>\$23.96</b>	<b>\$27.27</b>
Hunterdon/I-78	1,394,331	0	32.3%	-11,007	-11,502	\$19.32	\$18.55	\$19.14
MetroPark/GSP	6,150,359	0	19.6%	111,937	-133,941	\$35.84	\$31.49	\$33.98
Monmouth	10,230,160	0	18.5%	22,277	-298,413	\$31.87	\$22.69	\$25.71
Piscataway/I-287 South	9,479,017	0	26.1%	-19,589	-493,214	\$22.15	\$20.13	\$21.12
Princeton Area	16,270,471	0	20.4%	-15,071	248,756	\$31.79	\$24.89	\$27.37
Route 18/8A Middlesex	2,864,079	0	17.8%	44,111	59,283	\$30.18	\$26.36	\$28.11
Somerset/I-78	16,482,415	0	23.6%	-101,261	596,691	\$31.92	\$23.13	\$30.18
Union Area	3,171,923	0	18.8%	-30,875	-20,509	\$30.87	\$23.92	\$24.14
<b>Northern/Central NJ</b>	<b>165,815,152</b>	<b>505,000</b>	<b>21.8%</b>	<b>-12,147</b>	<b>622,290</b>	<b>\$33.77</b>	<b>\$23.94</b>	<b>\$29.83</b>

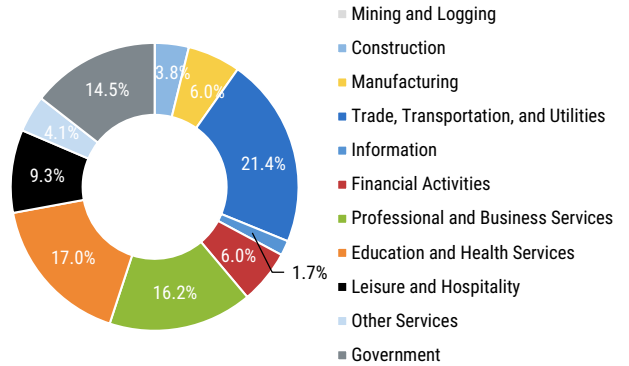
## UNEMPLOYMENT NEAR RECORD LOW

New Jersey's payrolls grew by a modest 0.8% over the past year, while the jobless rate fell by 50 basis points. Statewide unemployment, which currently stands at 3.4%, has stayed below the national rate since June. Construction, manufacturing, hospitality and education/healthcare, all of which have limited impact on office demand, have led this recent job growth.

The Grow New Jersey Assistance Program, the state's main job creation incentive program that has been a part of many of the market's largest office leases in recent years, expired in June 2019. Plans for a replacement program, called NJ Forward, have been drafted but not legislated. The proposal includes a \$200 million annual award cap which would be a significant reduction in scale compared to the current program, which has been averaging around \$1.0 billion per year. Some office expansions and relocations may be delayed until the new program is finalized, though lease-expiration driven demand should keep net absorption positive over the next year regardless.

## EMPLOYMENT BY INDUSTRY

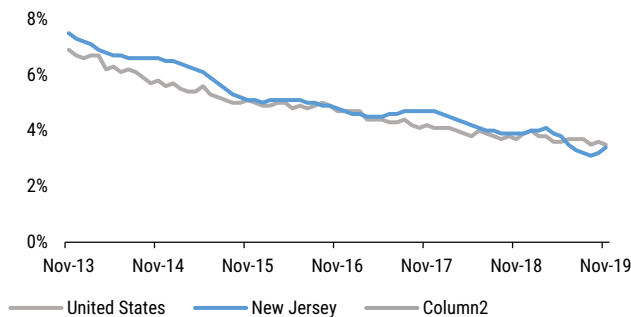
### New Jersey, Annual Average 2018



Source: U.S. Bureau of Labor Statistics

## UNEMPLOYMENT RATE

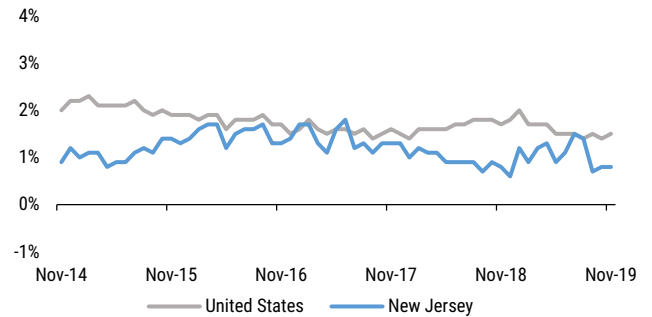
### Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, NJDLWD

## PAYROLL EMPLOYMENT

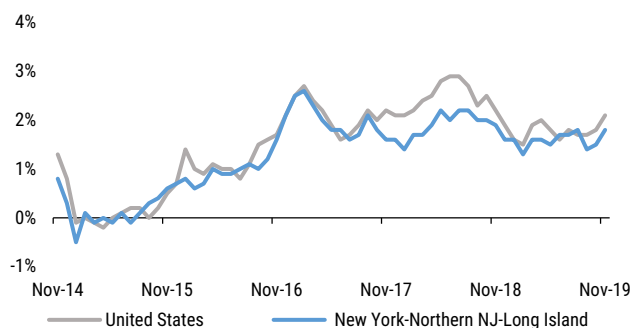
### Total Nonfarm, Not Seasonally Adjusted, 12-Mo. % Change



Source: U.S. Bureau of Labor Statistics

## CONSUMER PRICE INDEX (CPI)

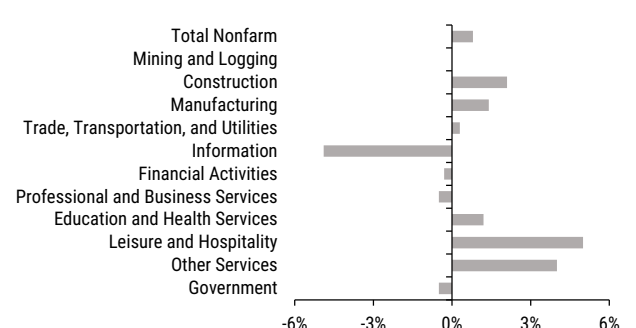
### All Items, 12-Mo. % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

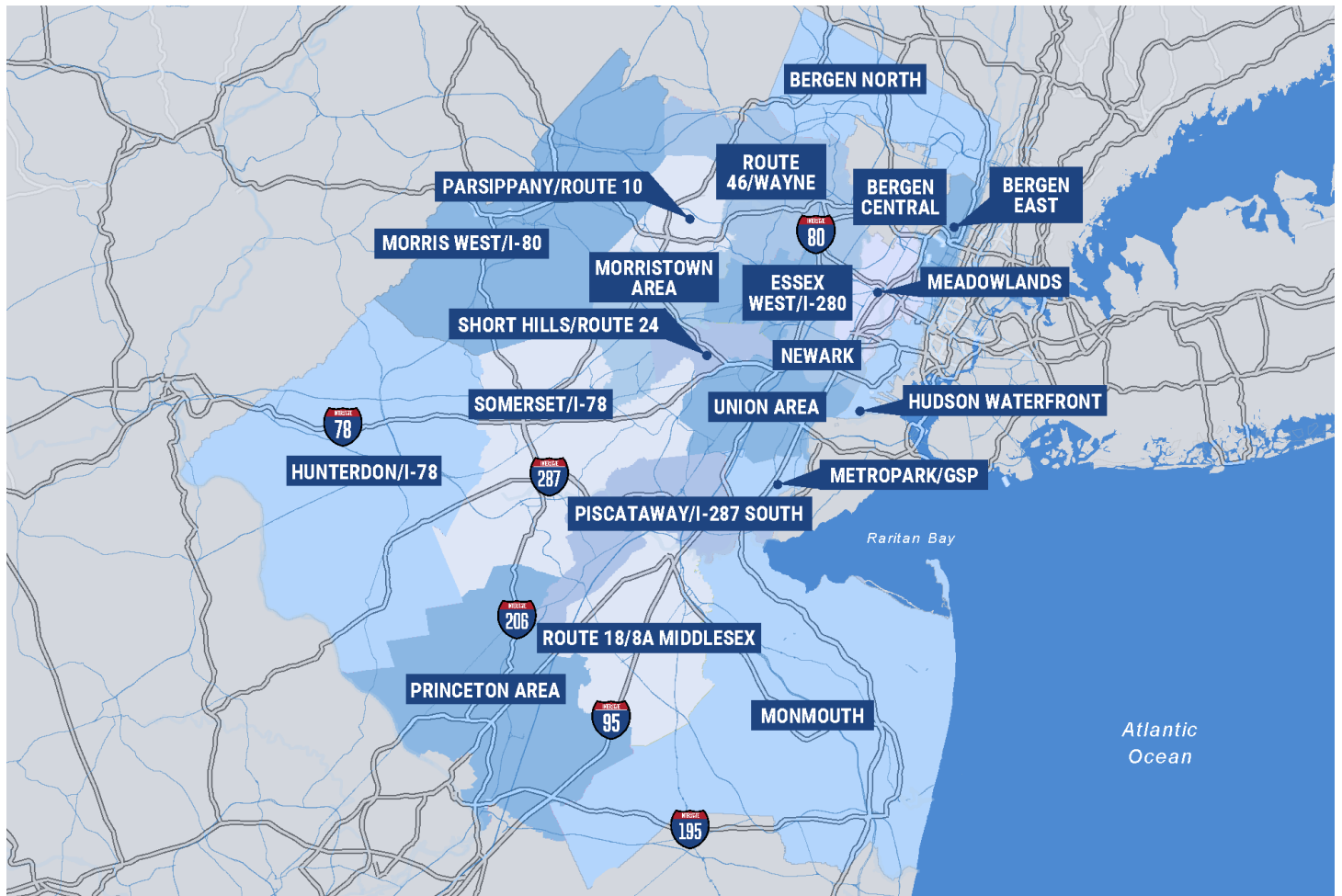
## EMPLOYMENT GROWTH BY INDUSTRY

### NJ, Nov 2019, 12-Mo. % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

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